KINGSDALE Advisors

ISS 2026 Updates

ISS Opens Comment Period on Proposed 2026 Benchmark Voting Policy Updates

Institutional Shareholder Services Inc. (“ISS”) has launched its open comment period for proposed 2026 Benchmark Voting Policy updates. The comment period invites input from investors, companies, and other governance stakeholders on proposed policy changes. The comment window is open until 5:00 p.m. ET on November 11, 2025, and follows the release of ISS’ 2025 Global Benchmark Policy Survey results.

ISS’ proposed changes for 2026 reflect evolving governance standards across jurisdictions. While ISS has proposed several updates to its U.S. Benchmark Policies, no changes are being proposed specifically to the Canadian policies. However, certain proposed revisions to ISS’ global policies on shareholder proposals and director independence will have implications for Canadian issuers.

Kingsdale Advisors encourages all clients assessed under ISS’ U.S. policy to review the proposed updates to the U.S. Benchmark Policies and to submit comments where appropriate. Similarly, we invite Canadian clients to review the proposed revisions to global policies and consider submitting comments where applicable. Key updates for the U.S. and global markets include:

Key Highlights: U.S. Market

Pay-for-Performance Evaluation: ISS is proposing to extend the Relative Degree of Alignment (RDA) test and Financial Performance Assessment (FPA) test from a three-year to a five-year evaluation period, allowing for a more robust assessment of long-term alignment between CEO pay and company performance. Additionally, the Multiple of Median (MOM) test will now incorporate both one-year and three-year views of CEO pay relative to peers. This dual-layered approach enhances the evaluation of both short-term pay quantum and sustained performance alignment, reflecting investor preferences for long-term value creation and reducing the impact of short-term volatility or one-off events.

Time-Based Equity Awards: ISS proposes a more flexible approach to evaluating the equity pay mix in pay-for-performance qualitative reviews for time-based equity awards, recognizing that long-term vesting and retention can support shareholder alignment.

Equity Plan Scorecard Enhancements: A new scoring factor under the Plan Features pillar will assess whether equity plans that include NED participation disclose cash-denominated award limits.

A new overriding negative factor will apply if a plan lacks sufficient positive features under the Plan Features pillar, even if the plan has an overall passing score.

Company Responsiveness to Say-on-Pay: ISS introduces more flexibility for companies to demonstrate responsiveness to low say-on-pay support, particularly in cases where shareholder feedback is difficult to obtain due to regulatory constraints, such as recent SEC guidance on 13G vs. 13D filings. Under the proposed policy, if a company discloses meaningful engagement efforts but also states that it was unable to gather specific feedback, ISS will assess the company's actions taken in response to the vote, along with its rationale for why those actions are beneficial to shareholders.

High Non-Employee Director ("NED") Pay: ISS is proposing to expand its policy to allow adverse vote recommendations in the first year of problematic NED pay, rather than waiting for a pattern to emerge. Under the current policy, adverse recommendations are generally triggered only after two or more consecutive years of excessive NED pay without a compelling rationale. The proposed update would also apply to non-consecutive years and allow for first-year action in cases deemed particularly egregious. Problematic NED pay may include excessive magnitude, problematic perquisites, performance awards, stock options, or retirement benefits.

Unequal Voting Rights: ISS proposes to treat capital structures with unequal voting rights as problematic regardless of whether superior voting shares are classified as "common" or "preferred," eliminating prior inconsistencies.

Global and Canadian Market Considerations

Canada: No new policy changes proposed specifically for the Canadian market. However, certain global updates will have direct impact on Canadian issuers, particularly around director independence classifications for highly paid NEDs.

Director Independence – Highly Paid NEDs: Under the current policy, any director who is classified as a non-executive, but receives salary, fees, bonus and/or other benefits that are in line with the highest-paid executives of the company may be classified by ISS as an executive director. The proposed policy change will generally classify such directors as non-independent non-executive directors unless there is clear evidence of executive duties. This update reflects feedback from both investors and companies gathered through ISS' annual policy survey, which highlighted the need for greater clarity and consistency in how unusually high NED pay is assessed across markets.

Environmental & Social ("E&S") Shareholder Proposals:

- In the U.S., ISS proposes to shift to a fully case-by-case approach for proposals related to diversity, political contributions, human rights, and climate change. This reflects not only evolving investor expectations but also increased regulatory scrutiny and disclosure requirements in these areas.
- Globally, ISS is proposing to apply a consistent framework for evaluating E&S proposals, adding a new factor: whether the proposal addresses substantive matters that may impact shareholders' interests, including shareholders' rights. This update adds materiality as an integral part of ISS' shareholder proposal approach.

If you have any questions about these proposed policy changes, please contact Kingsdale at: strategy@kingsdaleadvisors.com.